

**EAST VALLEY SCHOOL DISTRICT NO. 361**  
**Spokane County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Schedule Of Findings**

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1. The District Should Improve Controls Over Enrollment Reporting

During our review of East Valley High School's monthly enrollment reporting to the Superintendent of Public Instruction (SPI), the following exceptions were noted:

- a. Supporting documentation of monthly enrollment counts were not consistently printed and retained. As a result, we were unable to verify the accuracy of the counts.
- b. For alternative instruction, two full-time-equivalents were claimed which did not meet the definition of a course of study.
- c. For Running Start students, 13.8 full-time-equivalents who did not attend district classes were claimed.

SPI Bulletin 34-95, page 13, requires the district to retain supporting documentation of monthly enrollment counts sufficient to substantiate compliance with enrollment reporting rules and regulations. Documentation should show that the student was enrolled and had attended within the last 20 consecutive school days. Documentation should also support the full-time equivalent reported by the district.

*Washington Administrative Code* (WAC) 392-121-107 states that students must be enrolled in a course of study in order to be counted and defines course of study.

WAC 392-169 governs Running Start enrollment.

The errors occurred because management failed to train personnel responsible for enrollment reporting on the required supporting documentation and the applicable statutes. In addition, management did not review and approve monthly enrollment reports prior to submission to SPI.

Because SPI uses the monthly enrollment reports as a basis for state funding, the district received more money than it was entitled to. We were unable to estimate the amount due to the apportionment formulas applied by SPI.

We recommend the district review all monthly enrollment reports submitted and the corresponding supporting documentation. We also recommend the district contact SPI to revise reports and to determine the amount of any repayment required. We further recommend the district implement procedures to verify the accuracy of monthly enrollment reported to SPI.

2. Coordination Of Enrollment Reporting Between The District And The Spokane Skills Center Should Be Improved

The district is a member of the Spokane Skills Center cooperative. The Spokane Skills Center is a cooperative involving eight Spokane area school districts. Spokane School District No. 81 operates the half-day programs which offer high school students a variety of occupational courses. Our comparison of East Valley School District and the Spokane Skills Center enrollment reports revealed that students were overclaimed. Students were claimed in combination by Spokane School District No. 81 and East Valley School District No. 361 as 1.2 to 1.6 full-time- equivalent on monthly enrollment reports submitted to the Superintendent of Public Instruction (SPI).

*Washington Administrative Code (WAC) 392-121-136 states in part:*

. . . no student, including a student enrolled in more than one school district, shall be counted as more than one full-time-equivalent student on any count date or more than one annual average full-time-equivalent student in any school year . . . .

WAC 392-121-122 defines full-time-equivalent, for students in grades 7 through 12, as 25 hours each week, or 5 hours (300 minutes) each scheduled school day.

Students exceeded one full-time-equivalent because enrollment reporting was not coordinated between the district and the Spokane Skills Center.

Because SPI uses the monthly enrollment reports as a basis for state funding, the district may have been overpaid. We were unable to estimate the amount due to the apportionment formulas applied by SPI.

We recommend the district, in cooperation with the Spokane Skills Center, implement written policies and procedures to ensure monthly enrollment reporting complies with statutes. We further recommend the district contact SPI to determine the amount of any repayment required.

3. The District Should Maintain Adequate Documentation To Support Eligible Credits Reported To The Superintendent Of Public Instruction (SPI)

During our review of staff mix, we again noted that the district does not maintain adequate documentation to support the information submitted to SPI. We selected 26 certificated employee files for testing. We found that half of these files did not contain the required documentation to support eligible credits reported. Credits reported were either not documented by transcripts or did not agree with transcripts in the employee's files. Fifteen percent of the files reviewed contained credit errors that resulted in an overpayment of apportionment.

School districts are required to report annually to SPI the academic credits of its certificated staff. SPI uses this information in its determination of the amount of financial support (apportionment) due the district.

To ensure that amounts reported are accurate, WAC 392-121-280 requires in part:

School districts shall have documentation on file and available for review which substantiates each basic education certificated instructional employee's placement on LEAP salary allocation documents. The minimum requirements are as follows:

- (2) Districts shall document academic credits by having on file a transcript from the registrar of the regionally accredited institution of higher education granting the credits . . . .

When the district submits erroneous information to SPI, it receives more apportionment than it is entitled to.

These errors occurred because supporting transcripts were accidentally discarded, transcripts were misread, addition errors were made, and because the district did not verify the accuracy of the information reported to SPI.

We recommend the district continue to review all certificated employee files and obtain any needed documentation to verify and support eligible credits reported to SPI. We also recommend the district contact SPI to correct any inaccurate information reported. We further recommend the district develop procedures to verify the accuracy of the information reported to SPI.

4. Internal Controls Over Associated Student Body (ASB) Accounting Should Be Improved

Our review of the district's ASB accounting records identified the following internal control weaknesses:

a. Cash Receipting

(1) Receipts were not issued immediately. Instead, funds were placed in envelopes which increased their risk of undetected loss or theft.

(2) Rediform receipts were issued for a large fundraiser. Rediform receipts do not ensure a receipt number sequence. As a result, we could not ensure that all receipts issued were accounted for.

(3) Mode of payment (cash/check composition) was not consistently indicated on receipts. Composition is a necessary audit trail to prevent and detect a common scheme used to steal funds. Recommendations were made during the prior audit.

(4) Receipts were not supported by documentation to substantiate amounts. We could not verify that all funds collected were deposited for the benefit of the ASB Fund. Recommendations were made during the prior audit.

b. Cash Disbursement

(1) Imprest checks were issued without adequate supporting documentation. We could not ensure that expenditures had not been duplicated or were for a valid ASB purpose.

(2) Bank reconciliations were not performed for the imprest checking account. In addition, account activity was not reviewed by an independent person.

*Accounting Manual for School Districts in the State of Washington*, Chapter IX, Section ASB, pages 7-8 states in part:

. . . Issue official prenumbered receipts for all moneys received . . .  
Maintain accounting records of financial transactions and files of  
supporting documents . . . Prepare an imprest bank checking account  
reconciliation statement . . .

The district did not have adequate procedures in place to ensure that the ASB Fund was operated in compliance with statutes. Weak internal controls increase the risk that errors or theft will occur and not be detected in a timely manner, if at all. Additionally, we were unable to verify that all funds collected were deposited for the benefit of the ASB Fund.

We recommend the district:

- a. Educate management and advisors on the laws governing ASB activities.
- b. Monitor advisors for compliance with the laws.
- c. Receipt all funds immediately.
- d. Issue only official prenumbered receipts.
- e. Record mode of payment on all receipts.

- f. Only make payments off of original, unaltered invoices or receipts.
- g. Reconcile the imprest checking account. This reconciliation should be periodically reviewed by an independent person.

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**Schedule Of Federal Findings**

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1. Controls Over Special Education Enrollment Reporting Should Be Improved

The district does not have an adequate internal control system to ensure that only eligible students are claimed on the Monthly Report of School District Special Education Enrollment (P-223H) submitted to the Superintendent of Public Instruction (SPI).

We reviewed the district's special education enrollment system and noted a weakness which resulted in claiming five students twice. We also reviewed 61 student files for compliance with eligibility requirements. The student files contained Individual Education Plans (IEPs) and Evaluations. Due to the expiration of required evaluations and due to withdrawals, 6 students claimed were ineligible. This represents an 9.8 percent error rate.

The *Washington Administrative Code* (WAC) 392-171 defines the criteria which must be met in order for a student to be claimed on the P-223H. SPI uses the P-223H as a basis for state special education funding.

Additionally, the *Compliance Supplement for Single Audits of State and Local Government*, prescribed by the Executive Office of Management and Budget, requires current IEPs and evaluations for federal special education funding (CFDA 84.027).

Inaccurate reporting of special education enrollment resulted in the distribution of special education funding in excess of what the district was entitled and reduced the funding available to other districts. Due to the apportionment formulas applied by SPI, we were unable to estimate the overpayment of state funds. However, by projecting the error rate to the federal funds provided, we have included \$12,142 in the accompanying Schedule of Questioned Costs.

Ineligible students were claimed because enrollment reports were not reviewed to ensure that students were not duplicated or withdrawn. The error also occurred because the transfer date, instead of the evaluation date, was recorded in the special education database. The database was used to monitor the evaluation due dates.

We recommend the district review all enrollment reports, student files, databases, and P-223Hs from the implementation of the program. We also recommend the district contact the Department of Education and SPI to determine the amount of any repayment required. We further recommend the district implement controls to ensure accurate reporting of special education enrollment.